

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05 TAR-01

/087 W

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R 222330Z JAN 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 5642

INFO AMEMBASSY MANAGUA

AMEMBASSY CARACAS

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L GUATEMALA 0413

E.O. 11652: GDS

TAGS: ECON, EFIN, ETRD, GT, XM

SUBJECT: ASSESSMENT OF LA OPPOSITION TO TRADE ACT AND LIKELY  
COURSE OF EVENTS

FOR ASSISTANT SECRETARIES ROGERS AND ENDERS

1. THIS MISSION HAS CONSIDERED THE DEVELOPING CONFRONTATION  
BETWEEN THE USG AND LA OVER THE TRADE ACT OF 1974 AND, AFTER  
REVIEWING ALL AVAILABLE STATEMENTS AND ANALYSES, HAS NOTED A  
POTENTIAL PORBLEM THAT APPEARS NOT TO HAVE BEEN DISCUSSED.  
ALTHOUGH WE OBVIOUSLY ARE NOT PRIVY TO ALL RELEVANT COMMUNI-  
CATIONS, AND THEREFORE MAY BE PASSING OVER WELL TRODDEN  
GROUND, WE FEEL THAT AN OUTLINE OF OUR CONCERN MAY BE USEFUL  
TO THE DEPARTMENT. IN BRIEF, OUR CONCERN IS THAT THE GOV AND  
ALLIED LA GOVERNMENTS ARE RATHER CLEVERLY USING THE TRADE ACT  
ISSUE TO PUSH THE USG UNWILLINGLY AND/OR UNWITTINGLY TOWARDS  
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A RADICAL CHANGE IN ITS TRADING RELATIONSHIPS.

2. AS ASSISTANT SECRETARY ROGERS INDICATED, THE HEART OF THE ISSUE IS NOT PER SE THE GSP SCHEME (AND ITS LIMITATIONS). MOST SURELY THE LATIN AMERICANS RECOGNIZE THAT THE USG WOULD STRONGLY PREFER THAT IN IMPLEMENTING THE SCHEME IT BE ACCORDED A DEGREE OF FLEXIBILITY AND THAT IT WILL CONTINUE TO SEEK SUCH DISCRETIONARY AUTHORITY. RATHER, THE HEART OF THE ISSUE, IN ASSISTANT SECRETARY ROGER'S WORDS, "IS THAT LATIN AMERICA SEES THIS AS AN EFFORT OF THE US TO USE ITS ECONOMIC LEVERAGE TO BLOCK OTHER POSSIBLE EFFORTS TO DEFEND THE PRICES OF THEIR RAW MATERIALS." (STATE 10795) THIS MISSION SUSPECTS, HOWEVER, THAT WHAT THE LACS SEEK GOES WELL BEYOND OUR MERE FORMAL ACCEPTANCE OF THEIR THEORETICAL RIGHT TO ARBITRARILY CONTROL COMMODITY FLOWS. THAT PRINCIPLE IS IMPORTANT BUT ACTING UPON IT IS MORE SO; ACCEPTANCE OF THE PRINCIPLE, THUS, CAN ONLY BE AN INTERMEDIATE STEP.

3. PRESIDENT PEREZ' LETTER TO PRESIDENT RODRIGUEZ LARA CALLING FOR A MEETING OF THE OAS COUNCIL CLEARLY POINTS TO THAT FIRST STEP (STATE 4979). AFTER NOTING THAT THE TRADE ACT "THREATENS IN A DIRECT MANNER THE CURRENT LATIN AMERICAN POLICY OF DEFENDING OUR RAW MATERIALS AND BASIC PRODUCTS THROUGH THE CREATION OF COMMON TRADING SYSTEMS WITH RETENTION OF SUPPLIES IN ORDER TO ASSURE REMUNERATIVE PRICES", PEREZ APPROACHES HIS CONCLUSION BY SPEAKING OF THE "WILL OF OUR COUNTRIES WHICH SEEK ONLY RECOGNITION OF RIGHTS TO EXERCISE FULL SOVEREIGNTY OVER OUR NATURAL RESOURCES AND A BALANCED AND EQUITABLE COMMERCIAL INTERCHANGE." WE FIND THE LAST SENTENCE MOST INTERESTING FOR IT LINKS AN ESTABLISHED CONCEPT WITH THE DESIRED PRINCIPLE. LDC RIGHTS TO "A BALANCED AND EQUITABLE COMMERCIAL INTERCHANGE" HAVE BEEN RECOGNIZED AND FORMALIZED THROUGH UNCTAD RESOLUTIONS; FROM SUCH RESOLUTIONS HAS COME GSP. AS PREVIOUSLY INDICATED, PEREZ WOULD SEEM TO BE SUGGESTING THAT LDC "RIGHTS" TO "EXERCISE FULL SOVEREIGNTY OVER... NATURAL RESOURCES" (AND IN UTILIZATION OF SUCH SOVEREIGNTY CREATE "COMMON TRADING SYSTEMS WITH RETENTION OF SUPPLIES IN ORDER TO ASSURE REMUNERATIVE PRICES") NOW SHOULD BE SIMILARLY FORMALIZED. HIS GOAL MAY NOT BE AN UNCTAD RESOLUTION; A DECLARATION AT THE FORTHCOMING BUENOS AIRES MEETING OF FOREIGN MINISTERS WOULD BE ALMOST AS ACCEPTABLE.

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4. ALTHOUGH PEREZ HAS THUS BEGUN WORKING TO HAVE HIS NEW "RIGHT" FORMALIZED, HE HAS NOT EVEN HINTED HOW HE WOULD USE THAT RIGHT. THIS MISSION'S CONCERN FOLLOWS FROM THE ECONOMIC LOGIC OF THE MATTER. WHEREAS SUCCESSFUL CARTELS CAN BE ESTABLISHED BY PRODUCER NATIONS ALONE IN THE CASE OF A FEW COMMODITIES, FOR MOST OTHER COMMODITIES CONSUMER NATION COOPERATION IS REQUIRED. THE BEST EXAMPLE WAS THE INTERNA-

TIONAL COFFEE ORGANIZATION WHICH BOUND CONSUMER MEMBERS TO PURCHASE ONLY FROM PRODUCER MEMBERS. IF THE USG AT SOME POINT FEELS COMPELLED TO RECOGNIZE FORMALLY THE RIGHT OF THE LAS TO FORM COMMODITY CARTELS, IT SEEMS PROBABLE THAT THE NEXT STEP WILL BE FOR THE LAS TO DEMAND OUR INVOLVEMENT IN SUCH CARTELS. OUR RECOGNITION WILL BE CITED AS A BINDING OBLIGATION TO ACT IN SUPPORT OF THE CARTELS TO ENSURE THEIR SUCCESS. TO DO OTHERWISE WILL BE CALLED BREACH OF CONTRACT AND ECONOMIC AGGRESSION. AT THAT POINT WE WILL BE CAUGHT BETWEEN AN IRATE US PUBLIC AND THE REALITIES OF LA POLITICS. (THE FACT THAT THE TRADE ACT, SECTION 502(E) SEEMS TO PERMIT USG PARTICIPATION IN COMMODITY SCHEMES WOULD, OF COURSE, ALSO BE USED IN ARGUMENT BY THE LAS THAT WE ARE BOUND TO PARTICIPATION.)

5. ASSUMING THAT THE USG CANNOT, AND SHOULD NOT, ACCEPT SUCH A SITUATION, THE WISE COURSE WOULD SEEM TO BE TO PREPARE NOW TO RESIST ANY ATTEMPT (POSSIBLY AT THE BUENOS AIRES MEETING) TO FORMALIZE THE CARTEL PRINCIPLE. A HARD LINE STANCE WILL NOT IMPROVE INTERAMERICAN RELATIONSHIPS BUT IT WILL AVOID MORE SERIOUS PROBLEMS LATER.  
MELOY

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